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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

Mideast

Key stories in the media:

Ha'aretz reported that Israel and the PA are both unhappy over a request by Secretary Rice that they publish a memorandum of understanding on the progress of final-status negotiations to date before President Bush arrives next week. Ha'aretz quoted a GOI source as saying that Rice wants such a document to make it clear to

the international community that the negotiations are indeed progressing. Prime Minister Ehud Olmert and PA President Mahmoud Abbas held another meeting yesterday after which the government source said "there has been great progress on the issue of the borders of the Palestinian state." Other leading media quoted "sources in Jerusalem" as making similar comments. Ha'aretz's source was quoted as saying that there had also been considerable progress on the issue of security arrangements. However, Ha'aretz reported that Rice told Israeli officials during her visit that even though both sides had reported progress, "the world doesn't believe it." The fact that no concrete document has yet emerged from the negotiations, combined with the lack of dramatic progress in improving the daily lives of Palestinian residents of the West Bank, encourages disbelief, she argued, and this is liable to undermine the process. She therefore suggested formulating a memorandum of understanding that would outline the general principles to which the parties have agreed -- mainly on the issue of borders, but also on the other core issues.

Ha'aretz reported that both the Israeli and Palestinian officials with whom the Secretary met expressed reservations about the idea. "The work of drafting such a document will merely halt the progress and the momentum," argued one Israeli official. "Instead of negotiating, we will start dealing with commas and periods in the draft and try to steal corners from each other," added another. "Both Israel and the PA say the talks have made significant progress, but both would prefer to keep this progress under the media's radar for now. The main progress has been on the issue of borders -- the fate of the settlement blocs, territorial exchanges and the 'safe passage between the West Bank and Gaza. Jerusalem has not yet been seriously discussed, and on the refugees, both sides have merely presented their initial -- and highly divergent -- stances." Yediot reported that Olmert's bureau deviated from its norm yesterday and reported on actual progress in the negotiations with the Palestinians on the issue of borders and security arrangements. Ha'aretz quoted Palestinian sources as saying that during her recent visit, Rice pressed both parties to finalize an agreement on borders quickly, as that is the issue which all sides view as easiest to resolve. According to these sources, Israel initially expressed a willingness to cede 90% of the West Bank to the Palestinians, while the PA demanded at least 98%. In particular, Israel wants to retain the major settlement blocs and the Jordan Valley, but the PA rejects these demands. Though some progress has been made, the Palestinian sources said they saw no chance of resolving these disputes in the 10 days remaining before Bush's visit. The Jerusalem Post quoted PA officials as saying on Monday that Israel was offering the Palestinians nothing more than a "mini-state" of cantons. Makor Rishon-Hatzofe quoted Israeli diplomatic sources as saying that the dialogue with the Palestinians is one-sided: whereas the Palestinians voice their claims, Israelis "mostly listen." Makor Rishon-Hatzofe cited the Palestinians' claim that they have agreed with Israel on the borders -- the 1967 lines with light amendments in the settlement blocs.

Ha'aretz reported that Israeli officials who met with Rice said their impression is that she is determined to produce an achievement at almost any price, given the political capital that both she and Bush have invested in the Palestinian issue over the last year. According to several media (like Ha'aretz and Israel Radio) Rice also expressed grave concern over the latest police investigation against Olmert, fearing that it would negatively affect the negotiations. The media reported that the tight secrecy around Olmert's police investigation will continue. Some media reported that a significant development in the case will take place today. Yediot reported that a probe by the State Comptroller triggered the current investigation. Maariv and Makor Rishon-Hatzofe reported that Shas is not ruling out an alternative government headed by FM Tzipi Livni.

At Monday's meeting with Abbas, Olmert also promised to keep him informed of the progress of Israel's indirect negotiations with Hamas over a cease-fire in Gaza. Egyptian intelligence chief Omar Suleiman is due to come here next week to present the agreement Egypt has reached with the Palestinian factions and seek Israel's approval. Ha'aretz reported that afterward, the cabinet will apparently hold a special meeting on the subject. Makor Rishon-Hatzofe cited the London-based Ash-Sharq Al-Awsat as saying that FM Livni has received a new letter from Syria regarding

progress in negotiations between the two parties. Makor Rishon-Hatzofe quoted Secretary Rice as saying in an interview with Ash-Sharq Al-Awsat that the U.S. would not stand in the way of Syrian-Israeli negotiations. Likud leader Benjamin Netanyahu was quoted as saying in an interview with Israel Hayom that the U.S. presented him with the cancellation of the "deposit" (the Golan) that the late PM Yitzhak Rabin had handed Syria.

The Jerusalem Post quoted the EU's representatives to Israel and the PA as saying yesterday that the international community's efforts at trying to weaken Israel should be reevaluated. However, they stopped short of recommending engagement with Hamas.

Ha'aretz reported that yesterday Israel transferred 200 liters of diesel fuel and 30,000 liters of gasoline to the UN Relief and Works Agency (UNRWA) for its work in Gaza. According to Israeli officials, this is enough for about a month. UNRWA has been complaining for days that it lacks fuel for its operations, but Israel said it could not transfer more fuel until Hamas emptied the depot to which the fuel is delivered and thereby created space for new deliveries -- which it finally did yesterday. Hamas had refused to empty the depot for days, Israeli officials charged, thereby creating an artificial shortage. However, the fuel transfer was interrupted after a few hours by Palestinian mortar fire on the depot. Also on Monday, Israel imposed a complete closure on the territories, which will remain in force through Memorial and Independence Days (Wednesday and Thursday). Maariv quoted a defense source as saying that the severity of security warnings is unprecedented.

All media, except the ultra-Orthodox newspapers, extensively reported and commented on events marking Memorial Day, which will be commemorated from this evening through tomorrow night. The nation will mourn the 22,437 servicemen and women who have fallen fell defending the modern land of Israel. Over the past year, 132 soldiers were killed in service to the state. The Jerusalem Post reported that 1,634 civilians have been killed in terrorist attacks since 1948.

Maariv reported that on Sunday the dissident MKs who broke off from the Pensioners Party signed an agreement with billionaire politician Arkady Gaidamak, according to which he will not be a cabinet minister.

The Jerusalem Post reported that Jewish activists are hailing the decision by the United Methodist Church -- at its General Conference in Texas last week -- to abandon efforts to divest from companies that allegedly contribute to Israel's occupation of the West Bank.

Ha'aretz reported that the Israel Philharmonic Orchestra is moving to organize a free concert in New York City's Central Park in September to celebrate Israel's 60th anniversary. The project will cost \$3-4 million and will come from donations.

Ha'aretz reported that Robert De Niro will build one of his Japanese-themed Nobu hotels in Herzliya.

Mideast:

Summary:

Veteran journalist and anchor Dan Margalit wrote on page one of the independent Israel Hayom: "Ehud Olmert.... Please, step into the shadows. The sooner you do so the better."

Former Ambassador to the U.S., former Minister of Foreign Affairs, and former Minister of Defense Moshe Arens wrote in the independent, left-leaning Ha'aretz: "Some past peace agreements have served as invitations to war."

Senior Editor and senior business commentator Nehemia Shtrasler wrote in Ha'aretz: "Israel's economic data on the eve of its 60th anniversary are quite impressive.... [But] Israel is still a highly unstable country, both internally and externally. It faces major security threats and numerous economic and social problems."

Gershon Baskin, Co-Director of the Israel/Palestine Center for Research and Information (IPCRI), wrote in the conservative, independent Jerusalem Post: " I will be very happy to see the day when the Palestinians have their own Independence Day to celebrate. That day too will be a celebration for Israel and for Zionism."

Prominent Israeli-Arab journalist and editor Zuhair Andrawus wrote in the mass-circulation, pluralist Yediot Aharonot: "We demand that Israel become the country of all its citizens. Otherwise the conflict between us will deepen, unfortunately, and take us to places that neither the Jews nor the Arabs want to reach." The Jerusalem Post editorialized: "No army and no economy can function without an adequate, secure and dependable water supply. This is something Israel certainly cannot boast about on its 60th anniversary."

Block Quotes:

II. "Go Forth"

Veteran journalist and anchor Dan Margalit wrote on page one of the independent Israel Hayom (5/6): "Ehud Olmert, you have restored the word compassion to the public lexicon. Good. Be compassionate, then, towards your family and relatives and friends, and even towards yourself, and resign. Go forth from the Prime Minister's Residence.... Don't make commitments in its name. Don't commit it for your own sake. It is better to finish misdeeds in private. Please, step into the shadows. The sooner you do so the better."

II. "Peace at Any Price"

Former Ambassador to the U.S., former Minister of Foreign Affairs, and former Minister of Defense Moshe Arens wrote in the independent, left-leaning Ha'aretz (5/6): "The Israeli government is engaged in a frantic search for peace -- peace with Mahmoud Abbas, even a shelf agreement, and peace with Syria. That seems like the most natural thing in the world.... But if we have learned anything from history, it is that even that is not always true. Some past peace agreements have served as invitations to war.... The Golan Heights was sovereign Syrian territory before Syria attacked Israel in the Six-Day War. Does that not mean that it is only proper to return to the Syrians this territory they lost during the war, even if it means uprooting 30,000 Israelis who now live there? But that is not the accepted rule of nations that come to peace agreements. The aggressor nation is not entitled to all territory lost in a war. That would mean that there is no price for attacking a neighbor.... According to newspaper reports, Prime Minister Olmert already has informed Bashar Assad that Israel is prepared to cede the Golan Heights to Syria. That hasty move needs some further thought, unless all of Olmert's thoughts at this time are devoted to saving his coalition."

III. "Still Far from Economic Independence"

Senior Editor and senior business commentator Nehemia Shtrasler wrote in Ha'aretz (5/6): "Israel's economic data on the eve of its 60th anniversary are quite impressive.... [But] Israel is still a highly unstable country, both internally and externally. It faces major security threats and numerous economic and social problems.... But [our dependence on the world, social gaps, large public sector, and poor education] are a drop in the bucket compared to the enormous security burden. Israel's defense budget is already large and oppressive, and it is expected to grow still further in the coming years. No other nation in the world faces a genuine existential threat from a country that openly threatens it with annihilation. And if, to this Iranian threat, we add the threats from Syria, Hezbollah, and the Palestinians, we are left with too many fronts for one small country. These threats create an atmosphere of uncertainty and perpetual fear of the future, which results in reduced investment and lower growth.... Until a regional peace agreement has been signed, one that includes both Syria and the Palestinians, we will not be able to say we have achieved independence."

IV. "Next Year in Palestine"

Gershon Baskin, Co-Director of the Israel/Palestine Center for Research and Information (IPCRI), wrote in the conservative, independent Jerusalem Post (5/6): "I will be very happy to see the day when the Palestinians have their own Independence Day to celebrate. That day too will be a celebration for Israel and for Zionism. Today being pro-Israel by definition must mean that one is also pro-Palestinian. The fate and future of these two peoples are linked to find a way to live side-by-side in peace -- in two separate states.... This year on Independence Day the papers are full of articles about the next 60 years. I am more concerned with the next year or the next two years. If we do not find a way to depart from our control over the Palestinians in the next year or two, then in 10 or 20 years from now we will be celebrating the independence of the state that will emerge here through bloodshed and struggle -- a very different state. It will not be a Jewish state. It will not be a Zionist state. It will not be a state where the Jewish people are a majority. So on this Independence Day I wish wholeheartedly to all of my Palestinian friends, 'I hope that you too will soon be able to celebrate your independence!'"

IV. "Between Independence and Nakba"

Prominent Israeli-Arab journalist and editor Zuhair Andrawus wrote in the mass-circulation, pluralist *Yediot Aharonot* (5/6): "I feel absolutely no belongingness to Israel, its symbols, flag, and anthem. A feeling of frustration overcomes me when the State of the Jews celebrates its independence. I also believe that most Israelis do not wish to grant [Arabs] the feeling of belonging to the state. Thus, this is my homeland but Israel is not my country. Sixty years have gone by. The Israeli narrative says 'independence'; our narrative stresses the fact that in 1948 we underwent a catastrophe (nakba). My compatriots were expelled to the neighboring Arab countries, where they still live in inadequate conditions.... In light of that gloomy situation, we are not going to make concessions: We demand that Israel become the country of all its citizens. Otherwise the conflict between us will deepen, unfortunately, and take us to places that neither the Jews nor the Arabs want to reach."

VI. "Water Independence"

The Jerusalem Post editorialized (5/6): "On the eve of Israel's 60th Independence Day we can take pride in the fact that this nation has become an irrigation pioneer and a global superpower in helping other countries overcome their water shortages. Israeli water-management systems and desalination plants are hits worldwide.

Yet this proverbial shoemaker goes barefoot. While Israel successfully markets desalination plants worldwide and helps other countries cope with their increasing thirst for potable water, at home all this enviable know-how is barely put to use. The bottom line reason is that our government -- especially the number crunchers at the Treasury -- is cent-wise and dollar-foolish. Procrastination is the default position. What can be put off needn't be attended to and paid for now. In the short haul, this approach spares us valuable outlays which can then be earmarked elsewhere. But this shortsighted focus on the immediate pawns our future. It potentially compromises our independence. No army and no economy can function without an adequate, secure and dependable water supply. This is something Israel certainly cannot boast about on its 60th anniversary."

JONES